

Ladies and gentlemen of the Subcommittee on Financial Institutions and Consumer Credit, thank you for this opportunity to speak before you today. I wish to tell you one simple story that will encapsulate the state of affairs at my school, the University of Illinois at Chicago, better known as UIC. This story includes a school determined to help protect its students from harmful credit card and borrowing practices, and the market based reactions of credit card companies to overcome such steps.

UIC is a school of approximately 25,000 students, nearly 16,000 of which are undergraduates. As the Chicago campus of the University of Illinois, UIC offers one of the most competitively priced college educations available. As a result we attract a wide variety of students, nearly 1/3 of which are determined by federal standards to be eligible for the PELL grant to assist with their educational expenses. As the state of Illinois follows national trends in increased tuition rates and lowered state support for higher education, our students are forced to search in more locations for a means by which to finance not only their tuition payments, but also basic living expenses such as food, books, laundry, and transportation. Unfortunately, this has led many students to turn to credit cards as a seemingly simple way to pay for the essentials of a college education. The negative effects of this practice, as well as the way in which credit card companies respond, are and will continue to be felt not only by individual students and graduates, but also their families, and the communities they become a part of.

The University of Illinois at Chicago has strict policies and regulations in place that prevent the marketing of credit cards on campus. No credit card companies are permitted to solicit information from students on campus, nor are they allowed to offer giveaways or even host informational booths. In response to these policies, credit card companies such as Discover have developed interesting methods to market themselves to UIC students. As an urban campus, the buildings of UIC are spread across more than a mile of the Chicago landscape, and specific university property lines are interspersed with small neighborhoods that are home to communities that offer housing, entertainment, and restaurant options to students. One such restaurant is a Subway store, located not less than 3 blocks from the nearest university building.

During the first two weeks of classes at UIC, students are offered handouts and flyers from a multitude of organizations as they walk between classes. In the fall of 2005 as well as 2006, one of these handouts was a small slip of paper offering a free 6" sub sandwich at the nearest Subway restaurant during set hours each day that week. Just show up with the slip of paper. Upon arriving at the Subway restaurant and presenting the paper to the cashier, the student is informed that he or she needs to speak with the small group of people in the corner of the restaurant with a form to fill out, or in some cases a laptop computer. When the student asks these people for his or her free sub coupon, the student is told that all he or she needs to do is fill out this form for a Discover card and they can get their free sub sandwich.

As an older freshman student who had already served four years in the United States Army, when I first encountered this practice I simply thought of it as a rather smart, albeit tricky marketing technique. It was not until I spoke with the credit card representatives that I began to become upset. I asked about what I could do if I did not want a credit card. I was told that I was not necessarily going to receive a credit card, only that I was giving them my information to apply. I expressed a concern for keeping a clean credit report, and I was told that this would not show up on my credit report, that would occur only if I accepted the card and used it. When I asked if it was possible to receive my free sub sandwich without filling out the application, I was given a negative response. However, all I needed to do was fill out the form and if I did get the card I could simply not use it and nothing would change with regards to my credit or anything else. I quickly recognized these answers as half-truths at best, fallacies at worst.

At the time, I simply moved on and didn't consider it any further. I was a freshman student and not particularly concerned with taking up a fight against a credit card company. The following fall, the exact same deal was offered by Discover Card and again I declined. I still wasn't that upset, as this time I didn't even bother to go to the Subway restaurant because I knew what the catch would be. Some months later my roommate received a Discover card in the mail. She had signed up for the card early in the school year, at the Subway restaurant.

Since then, I have become involved in student politics, to include raising awareness of student debt and the need for more funding for higher education. In the fall of 2008, I did not notice a credit card vendor at the Subway restaurant, and thought that perhaps Discover Card had changed their policy, or at least their marketing practices. Much to my disappointment however, just earlier this year I was handed a slip of paper by a fellow student advertising free sandwiches in the nearby Jimmy John's restaurant, which is located quite literally across the street from the previously mentioned Subway restaurant. Sure enough, as I entered, I encountered not one, but four laptops setup waiting to process applications, and a representative offered me a free sandwich for applying for a Chase credit card. I do not recall if it was a Visa or MasterCard. Again, I asked the same credit focused questions and again I received the same unsatisfactory answers.

Ladies and gentlemen, I will be the last person to suggest that college students are somehow incapable of making their own informed decisions regarding credit cards. I do not appear before you today suggesting any measure that would prevent a student from receiving a credit card. Students can frequently benefit from having credit available for things such as purchasing airfare or financing themselves during times of personal emergencies. I only tell you our story to highlight for you the specific actions that have been taken to target college students on campus despite my University's best efforts.

These cards are not tailored in any way to be financially beneficial for students as a target demographic. The majority of cards offer a low introductory interest rate, followed by a typical 15% to 20% APR. I would draw your attention to

the contrast in credit card acceptance between a steadily employed 22 year old making \$25,000 yearly and a college student with no form of income or anticipated income for possibly 3 years to come. One must ask where the credit card companies, as businesses, are expecting to profit by extending credit to the college student on a nearly constant basis. The only possible answer is the high interest rates, and the amount of time many students must carry a balance until they can get at least a summer job, or in the worst case until they get a job after graduating. The logical question to ask next is, can our students afford this? How many students have dropped out of college due to overwhelming debt, specifically credit card debt? On a national level, how many higher education degrees have been lost because of poor financing options? How does a nation that seeks to lead the world in technology and innovation continue to absorb educational casualties caused by the deadly mix poorly funded higher education and oppressively expensive private credit options for its students?

I am no economics or higher education expert. I have not even received my bachelor's degree yet. However, that does not mean I do not hear the voices of my fellow students; and with growing frequency, they tell stories of taking a year off to pay down bills and credit card debt, leaving school indefinitely until they can get back on track financially, or joining the armed forces because it is one of the few ways to recover from the financial black hole the student now finds him or herself in. These are not just lost opportunities for these students. Each of these tales is a lost opportunity for our communities and our nation: one less doctor, one less engineer, one less future Senator, Representative or possibly President.

Again, thank you for your time and the opportunity to speak with you. I hope that our story has given you some of the insight you require to address the problem and better equip our youth to face the challenges of tomorrow.